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Minnesota Legislature Passes Legislation Encouraging Local Housing Trust Funds

by Michael Anderson // 2017, Summer



With one apartment affordable at 80% AMI and one apartment at market rate, this Red Wing, Minnesota duplex is an example of how local housing trust fund investments can be utilized to create affordable options that suit the local community.

The Minnesota Legislature included provisions that encourage local communities to establish housing trust funds in a Jobs and Economic Development omnibus bill that passed during the 2017 legislative session. The legislation allows local governments to establish a housing trust fund or to participate in a joint powers agreement to establish a regional housing trust fund.

The provisions in the Omnibus legislation for local housing trust funds include:

- eligible activities: the development, rehabilitation and financing of affordable housing, rental assistance, down payment assistance, and homeownership counseling
- ability to award funds through grants or loans
- limit of 10% for administrative expenses
- ability of a local government to assign the administration of the housing trust fund to a nonprofit organization
- requirement for annual reporting made available to the public

The legislation also lists potential revenue sources including but limited to bond proceeds, appropriations from local government, investment earnings of fund, housing and redevelopment authority levies, state and federal funds, and private contributions.

Minnesota currently has local housing trust funds in the cities of Minneapolis, Redwing, and St. Paul, and Ramsey County. The city of Duluth had a housing trust fund that was funded with casino revenues which is no longer operational. The current Mayor of Duluth has [announced plans to establish a new housing trust fund](#) with \$1-2 million allocate annually to address a growing need for affordable homes.

Redwing's [creation of a housing trust fund](#) in 2015 spurred the imagination of rural communities throughout the state. While metropolitan communities like the Twin Cities or Duluth usually have a housing trust fund, for rural cities with a population of less than 20,000 such as Redwing, housing trust funds are less common. Facing a less than 1% rental housing vacancy rate, Redwing opted for action, establishing a housing trust fund and dedicating an increase in the property tax levy rate. With many rural communities across the state facing similar challenges to Redwing in their rental markets, the legislature is hoping the Omnibus legislation clears a path for other local communities to follow.

Minnesota is fourteenth state to pass legislation that enables local jurisdictions to establish a housing trust fund, joining Arizona, California, Florida, Indiana, Iowa, Massachusetts, Missouri, New Jersey, Oregon, Pennsylvania, South Carolina, Washington, and Wisconsin. To learn more about state enabling legislation, [click here](#).

In addition to the local housing trust fund provisions, the omnibus legislation includes a \$11,471,000 allocation for the Minnesota Housing Trust Fund, \$8,519,000 for Family Homeless Prevention, \$6,515,000 for housing rehabilitation, \$4,218,00 to the Affordable Rental Investment Fund (preservation of existing federal subsidized affordable housing), \$4,088,000 for Rental Assistance for people with mental illness, \$885,000 for the Home Ownership Assistance Fund, and \$857,000 for homeownership education, counseling, and training.

To learn more about Minnesota's state enabling legislation, contact Jeremy Schroeder at the Minnesota Housing Partnership: jeremy.schroeder@mhponline.org.



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